

WATER ALLOCATION PROGRAM DEVELOPMENT WATER RATES COMMITTEE MEETING

MINUTES OF MEETING

February 5, 2003

Members Present:

John Bell
Jean Bondarevskis
Al Mancini
Anthony Simeone
Guy Lefebvre

Members Absent:

Brenda Baum
Anna Coelho*
Ken Burke
Ted Garille
Ken Payne
George Burke
Bill Cox

**designee for Anthony Simeone*

Guests

None.

Water Resources Board Staff:

Connie McGreavy
Kathy Crawley

I. CALL TO ORDER:

With a quorum present, Ms. Jeanne Bondarevskis called the meeting to order at 10:14 AM.

II. APPROVAL OF MINUTES:

On a motion by Mr. Simeone, seconded by Mr. LeFebvre, the minutes of the January 8, 2003 meeting were approved.

III. ITEMS FOR ACTION:

A. Approve Mission

Ms. Crawley from the RI Water Resources Board (WRB) provided an overview to help the committee refine the Mission and deliverables. Ms. Crawley had a handout for the group. At the December meeting of the full Water Allocation Program Advisory Committee (WAPAC), a handout of the draft mission statements and draft tasks of each was provided, as developed in each committee. In the interest of developing a work plan for the overall effort, the WRB staff will be putting together all these lists and confirming with the committees that this was the intent of the committee. They are continuing to refine this process. The next leadership meeting of each of the committees is Feb 13th.

Ms. Crawley explained that if we build from the bottom up, the bottom being the task lists developed in the committees, the end product will be 2 –3 deliverables from each committee. She then reviewed her handout of the Mission and deliverables and explained that if there was time, the sorted tasks could be added after the two listed deliverables. **The two deliverables from this committee are first, “An assessment of current fee structures and rates (water and wastewater)”, which is already underway. The second is “Recommendations for water pricing strategies, which consider the full cycle of water and future supply needs.” Any legislative or fee-based recommendations would come under the second deliverable.**

The overall mission statement of the WAPAC is nearly final. The WRB is hoping each committee will provide more focus about when things will be wrapped up, how to get there and what will be produced in the first Phase 1 effort. Ms. McGreavy added that the previous Water Rates Committee mission was a long sentence that she revised into two sentences as follows; “Using economic analysis and other means, identify ways that water and wastewater rate structures can be modified to better reflect the cost of using water and preserving the resource. Rate structures proposed would encourage conservation and efficient water management, mindful of users’ ability to pay. Investigate the use of fees for various strategies to reduce, reuse, or recycle water.”

Mr. Lefebvre felt the committee may want to consider changing the words “ability to pay” to “affordability”, which is the term used in various USEPA studies. Mr. Lefebvre did not feel that the committee had to make the change. Mr. Simeone discussed how his organization considers disadvantaged ratepayers. The committee then discussed other revisions resulting in the following final version, **“Using economic analysis and other means, identify ways that water and wastewater rate structures can be modified to better reflect the cost of using water and preserving the resource. Proposed rate structures would encourage conservation, efficient water management, and consider affordability and equity implications. Investigate the use of fees for various strategies to reduce, reuse, or recycle water.”**

On a motion by Mr. Bell, seconded by Mr. Simeone, the committee adopted the revised Mission Statement as the final.

B. Discuss Deliverables

Ms. Bondarevskis had a question as to the deadlines for the deliverables. Ms. Crawley mentioned that the deadline for the final report is December. Therefore, the two deliverables need to be in summary recommendation form by June or July for discussion with the full WAPAC group. Ms. Bondarevskis mentioned that we cannot work in a vacuum. We have to know what other groups are doing. We can prepare for possibilities and a methodology of how to charge a fee to different types of water users within the state. Ms. Crawley added that our job is to help develop a menu of options and to have done some basic work so that when the recommendations come out, our work will have value to the overall process. Ms. Crawley did mention that the deliverables were a work in progress. The next step is to review the tasks and take out any that do not support the deliverables, or develop another deliverable.

Ms. McGreavy added that while Ms. Crawley introduced the concept of deliverables, we could discuss the task list later in the agenda. The committee’s report to the WAPAC is scheduled for May 2003. It would be good to have a preliminary report (the spreadsheet) to present to the full committee. Ms. Crawley summarized that for this committee, when we look at the tasks and what we think we will produce, we should think about how this helps us determine what kind of a rate or fee structure would be appropriate to fund a recommendation coming out of the WAPAC.

Mr. Bell wished to clarify whether we would be looking at how to fund other recommendations from another committees. Ms. Crawley explained that there will be some overall program recommendations which need to be paid for. If we have done some work on equity implications of various types of fees, the WAPAC can make some better decisions about how to fund other recommendations as well. For example, Ms. McGreavy stated that a “demand side management” (DSM) fee may be one way to fund the process needed to implement a new rate structure. Or, a DSM fee may end up helping

to pay for some of the other committee's recommendations. That is what we do not know. Each committee will have recommendations and hopefully an understanding of what they will cost. The WAPAC will then decide ultimate priorities. Ms. Crawley stated that the focus should be what are good, logical first steps that allow us to make sound decisions about paying for things in terms of rate structures and fee structures.

Mr. Bell added that the Education Committee may want to inform the public about certain issues, and they will need money. Mr. Simeone would like to build awareness of all the activities that go into setting water rates. Ms. Bondarevskis stated that at the next meeting, we will have our final mission and deliverables, and can focus on the necessary tasks to obtain the deliverables.

IV. ITEMS FOR DISCUSSION:

A. Progress on Assigned Tasks

The committee then moved on to a review of the assigned tasks.

Spreadsheet of water rates (J. Bell). Mr. Bell provided an updated spreadsheet for the committee to review. Ms. McGreavy mentioned that she had reviewed the 2000 Massachusetts spreadsheet that had been provided previously, and it was helpful in reviewing Mr. Bell's spreadsheet. Mr. Bell explained that his spreadsheet was based on rate information provided by major water suppliers to the WRB. The current spreadsheet has more detail than previous spreadsheets. Some rate structures are very basic (East Smithfield) and some very complex (Jamestown). Mr. Bishop asked if all the systems were regulated by the Public Utilities Commission (PUC). Mr. Bell advised that the spreadsheet contained data for water suppliers that produce more than 50 million gallons per year. The committee then discussed the spreadsheet, what additional information should be included and then compared it to the Massachusetts spreadsheet. It was decided that a conversion to the equivalent rate per 1,000 gallons would be shown. Mr. Bell will flag the PUC regulated suppliers. Mr. Mancini offered to prepare a comparison of rates from ten years ago and today. He will also include water consumption if the information is available. Ms. McGreavy felt we should consider other factors and should perhaps add more columns to the spreadsheet. The committee felt that primary water source type (surface or ground water) would be useful.

Mr. Bishop then mentioned that utilities may undertake a "demand management" charge at the time of rate setting. Ms. Bondarevskis felt that while some large water suppliers may institute a voluntary charge, not all water suppliers may be able to get the necessary approvals. A legislatively mandated charge may be the only way to get full compliance. Mr. Bishop felt that such a charge should have a definitive time frame. He felt that this is only one alternative that the committee is considering.

Getting back to the discussion of the spreadsheet, Mr. Lefebvre mentioned that he would like to see numbers of customers or population served. Mr. Simeone would like to see funding source. The concern was how to get the information. Ms. Crawley suggested that if Mr. Simeone could draft the questions, the WRB could survey the water suppliers. The information could then be added to the spreadsheet. Other information will also be requested, for example, if there is a low income or elderly discount. Mr. Bell will add the effective date of the rates and will contact Harrisville to get a better understanding of their rate structure. Ms. Bondarevskis offered to bring in a full survey book that the Massachusetts spreadsheet was based on for Mr. Bell's use.

Report on Massachusetts Water Rates (G. Lefebvre). Mr. Lefebvre made a point of mentioning that all rates in the Mass. survey were all level or ascending block rates—no decreasing block rates. Ms. Bondarevskis referred to a three-page summary of the Mass. Survey and suggested that the committee could add a summary to the spreadsheet to explain it. Mr. Lefebvre then asked if Providence Water Supply Board’s rates were decreasing block rates. Ms. Bondarevskis said that Providence Water has flat rates by classification of residential, commercial, industrial and wholesale. In a way, it is descending by category. Mr. Bishop mentioned what he felt was an important consideration, that “Demand Side Management” is part of running a system, not something that is done when forced to by a state authority. He also felt that it was not reasonable public policy to implement an anti-consumption rate policy, whereas one might equate the amount of consumption to some equivalent output, such as jobs or domestic product. When you are looking at encouraging or discouraging consumption on the commercial and industrial side, we don’t have any way to normalize what we get for economic output versus the input of water. Mr. Lefebvre mentioned the manufacturing use versus a car wash. In most cases, you would want to enhance jobs as most people agree. Mr. Bishop then added that we would not want conservation oriented rates to have unintended consequences on commercial or industrial consumers.

Potential Revenue Derived from a DSM Fee (J. Bondarevskis). Ms. Bondarevskis explained a draft spreadsheet that could be used to project a specific amount of revenue from a DSM fee in order to develop a water rate. The water suppliers were selected from the list provided by Mr. Simeone, with service connections exceeding approx. 900. WRB staff agreed to plug in annual consumption figures for major water suppliers, after which Ms. Bondarevskis will make projections.

The committee did not have time to review all the assigned tasks, but will do so at the next meeting. They are as follows:

- a) Spreadsheet of water rates (J.Bell)
- b) Report on Mass. Rates (G. Lefebvre)
- c) “Non-account” Water Use Categories (J. Bell/C. McGreavy)
- d) Categories of Water Users (A. Simeone)
- e) Sewer Use Fees/Rates (A. Simeone, B. Cox)
- f) Update Per Capita Water Use Statistics for RI (G. Lefebvre)
- g) Residential Retrofit Program Update (J.Bell, K. Burke)
- h) Meeting of Emergency Interconnections (C. McGreavy)
- i) Potential Revenue Derived from a DSM fee (continued by J. Bondarevskis)
- j) Other Revenue Sources to Explore (C. McGreavy)
- k) Reference Materials to Review (G. Lefebvre)
- l) DSM research (B. Bishop/A. Mancini)

B. Prioritizing the Master Task List:

Ms. McGreavy recommended that the committee rank the top 5 priorities from the “Areas to Explore/Task List”. Ms. Crawley felt we should do this against the backdrop of what will get us to the finish line.

V. OTHER BUSINESS:

- A. A lead representative will report to the WAPAC in February.
- B. Ms. Bondarevskis provided copies of the Narragansett Bay Commission final report to Mr. Bishop, Mr. Lefebvre, Mr. Mancini, Mr. Simeone and herself. They agreed to review the report and try to provide a brief synopsis (less than one page) for the remainder of the committee. Ms. Bondarevskis provided the Water Use and Availability in the Pawcatuck River report to Mr. Bell, Mr. Bishop, Mr. Lefebvre and herself to also review and provide a brief synopsis for the remainder of the committee.
- C. The next committee meeting will be held on Mar. 5th from 10AM-12PM at the Providence Water Supply Board, 552 Academy Avenue, Providence.

VI. ADJOURNMENT:

On a motion by Mr. Simeone , seconded by Mr. Bell, the meeting adjourned at 12:10 PM.

Respectfully submitted,

Jeanne Bondarevskis
Providence Water Supply Board

**Note: For more information on Water Allocation, visit: <http://www.seagrant.gso.uri.edu/scc/wrb/index.html>.*